

Message Text

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ACTION EUR-12

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E.O. 11652: N/A

TAGS: ETRD, UR, IT

SUBJECT: SOVIET-ITALIAN STEEL CONTRACT

REF: ROME 13819

1. SUMMARY: DURING VISIT TO ITALY OF SOVIET DELEGATION EARLY JANUARY, GOI, UNDER STRONG SOVIET PRESSURE, AGREED TO GRANT CREDITS FOR 35 PERCENT OF \$1.5 MILLION USSR-ITALIAN CONTRACT FOR THE SALE OF LARGE DIAMETER STEEL PIPES TO THE SOVIET UNION. END SUMMARY.

2. SOVIET TRADE DELEGATION HEADED BY SOVIET VICE MINISTER OF FOREIGN TRADE VLADIMIR ALKIMOV, VISITED ROME JANUARY 9-15. ALKIMOV, SAID TO BE A SPECIALIST IN FINANCING, MET WITH ITALIAN FOREIGN TRADE MINISTER DE MITA, TREASURY MINISTER COLOMBO AND GOVERNOR CARLI OF BANK OF ITALY. THE ALKIMOV DELEGATION ENDED ITS MISSION TO ITALY WITH A TOUR OF ITALIAN STATE OWNED FIRM ITALSIDER'S TARANTO PLANT FOR MANUFACTURE OF STEEL PIPES.

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3. PURPOSE OF ALKIMOV'S VISIT, WHICH WIDELY REPORTED IN

THE PRESS, WAS TO DISCUSS \$1.5 BILLION CONTRACT (REFTEL) BY WHICH FINSIDER (ITALSIDER'S STATE OWNED MOTHER COMPANY) WOULD SELL 2.5 MILLION METRIC TONS OF LARGE DIAMETER WELDED STEEL PIPES TO THE USSR OVER THE PERIOD 1975-1979. WHILE 65 PERCENT OF THE PIPES WOULD BE PAID FOR IN RAW MATERIALS, SOVIETS WERE SEEKING CREDITS FOR 35 PERCENT BALANCE.

4. ACCORDING TO CHIEF MFA OFFICE FOR EAST-WEST ECONOMIC RELATIONS (REITANO), FOREIGN TRADE MINISTER DE MITA TOLD ALKIMOV THAT IN VIEW OF ITALY'S ECONOMIC PLIGHT SUCH CREDITS IMPOSSIBLE; DOMESTIC INTEREST RATES ARE SO HIGH THERE INSUFFICIENT MONEY AVAILABLE TO SUBSIDIZE INTEREST RATES ADEQUATELY ON CREDITS FOR THIS AND OTHER TRANSACTIONS WITH EASTERN EUROPEAN COUNTRIES. ACCORDING TO REITANO, ALKIMOV PUT CONSIDERABLE PRESSURE ON GOI POINTING OUT THAT THERE IS BILL CURRENTLY BEFORE PARLIAMENT TO INCREASE MEDIOCRECITO'S ENDOWMENT AND EMPHASIZING THAT USSR WOULD CANCEL CONTRACT IF SUITABLE CREDITS NOT GRANTED.

5. REITANO TOLD EMBOFF THAT CANCELLATION OF THE CONTRACT, WHICH THE PRESS IN OCTOBER 1974 HAD HAILED AS "THE CONTRACT OF THE CENTURY", WOULD HAVE SERIOUS SOCIAL, PSYCHOLOGICAL AND ECONOMIC REPERCUSSIONS. THE CONTRACT HAD BEEN TAKEN IN THE PRESS AS EVIDENCE OF ITALY'S CONTINUED INTERNATIONAL ECONOMIC VIABILITY AND AS GUARANTEEING THE CONTINUED EMPLOYMENT OF THOUSANDS OF PEOPLE IN ITALSIDER'S TARANTO PLANT.

6. RESULT WAS THAT AT LAST MINUTE PRIME MINISTER MORO, WITH CABLED CONCURRANCE FROM TREASURY MINISTER COLOMBO, WHO IN US AT THAT MOMENT, DECIDED TO THAW CREDITS FOR THE FINSIDER CONTRACT. THUS CREDIT FOR 35 PERCENT OF THE ORDER HAS BEEN GRANTED OVER FIVE YEARS AT 7.2 PERCENT INTEREST.

7. REITANO TOLD EMBOFF THAT HE FORESEES CONSIDERABLE PRESSURE ON GOI FROM OTHER STATE TRADING COUNTRIES ALSO TO GRANT THEM CREDITS FOR PENDING CONTRACTS (WHICH CURRENTLY FROZEN) AS RESULT OF USSR-FINSIDER PRECEDENT. VOLPE

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